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PJM economics

# Outcome Delivery Incentive Research: Design of Methodology

## Cognitive Testing Report (Phase 2)

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# 1 Introduction

## 1.1 Background

<b>Context</b>	<p>The core objectives of the study were to develop a methodology for obtaining the customer evidence to support ODI rate setting at PR24 (Stage 1), and to develop and test the materials based on this methodology (Stage 2).</p> <ul style="list-style-type: none"><li>■ <b>Stage 1</b> (completed) consisted of desk research, industry consultation and the development of options and recommendations for the measurement of customer preferences and values</li><li>■ <b>Stage 2</b> (current stage) consists of the development of the survey instrument, two phases of cognitive depth interviews to test the survey, and a quantitative pilot.</li></ul> <p>This report is the output of the second phase of cognitive testing for Stage 2 of this study.</p>
<b>Core Objective</b>	<p>Cognitive testing was required to ensure accessibility of the survey questionnaire and its embedded stimuli.</p> <p>Comprehensibility and accessibility were assessed during the first phase of cognitive testing but were tested again during this wave, as was the suitability of the stated preference stimuli. An additional focus of this phase of cognitive testing was to test new compensation levels for the 'compensation for service issues' stated preference task.</p>

## 1.2 Overview of methodology

This report details the findings from the second phase of cognitive testing of the latest iteration of the quantitative survey tool and materials, which were developed according to the recommendations set out in the Stage 1 report and in accordance with the findings of the first phase of cognitive testing.

The objectives of this second phase of testing were:

- To further test accessibility and understanding of the questionnaire
- To capture any further feedback on the stimuli used in the stated preference exercises (both written descriptions and images), through spontaneous feedback and probing

- To test and gauge participants’ responses to the levels of compensation being offered in the event of a customer experiencing a number of service issues. These were deliberately set at very high levels in order to provide a strong test of whether such high levels could be used within the main design without weakening the credibility of the exercise, and how the wording of the exercise might need to change to accommodate such levels. This focus was added following results from the pilot study (reported separately), which found that high proportions of participants, particularly amongst the non-household customer base, were choosing not to take the compensation offered even at the highest levels included in the pilot design. This finding indicated that higher levels of compensation might be needed for the main stage to allow for the estimation of average compensation required.
- To test the performance of two new service issues within the compensation exercise. Previously, two service issues had been included in this exercise; a short supply interruption and an external sewer flooding incident. For the present phase of testing, these service issues were retained within the exercise, with the higher compensation levels as discussed above, but to these were added a short, planned supply interruption and a boil water notice. These service issues were considered to be preferable to the initial two, and in particular in comparison to an external sewer flooding incident, because they are lower impact, and hence should require lower compensation; both would affect any property equally; there is little room for ambiguity in the service issue description; and the company will definitely be aware of the issue as they have already sent a notice, hence covering off a possible objection in relation to the credibility of compensation being paid.

Cognitive testing is important as the survey focuses on unfamiliar areas for consumers. Cognitive interviews involve taking a participant through the survey and include additional questions to probe for levels of comprehension, ease of completion and response to stimuli.

We interviewed six customers across household (HH), non-bill payers and non-household (NHH) groups. Interviews were conducted online, via the Zoom video meeting platform.

For HH and non-bill payer interviews, interviewers shared their screen and control of their computer, and participants were asked to complete the survey questionnaire themselves, as though they were completing online. Participants were asked to work through the questionnaire autonomously on the most part but were asked to highlight areas of the questionnaire that were inaccessible, difficult to understand, or troublesome to navigate or complete. As extensive cognitive testing had been undertaken in the earlier phase, this approach was deemed adequate to identify any areas for further change.

NHH participants were interviewed with the interviewer’s camera off, to replicate as closely as possible the telephone-based (CATI) interview mode. Rather than completing the survey themselves, NHH participants were read the questions in the style of a CATI interview. The images to support the stated preference exercises were shared onscreen with NHH participants at the appropriate times, again replicating the anticipated approach for stimulus-assisted CATI interviews.

At key points during questionnaire completion, interviewers used additional cognitive probes to assess how well the question wording had been understood, clarity of instructions and service issue descriptions, and how easy or difficult it was to provide an answer. These probes focused on the presentation of service issues and associated compensation levels during this phase of testing, as this was the primary focus. These additional cognitive probes collectively formed the topic guide, which was used to direct all interviews, and was agreed and approved for use before fieldwork took place.

## Recruitment and Incentives

All participants in cognitive testing were recruited by our recruitment partner, Riteangle, in line with prescribed quotas. The following incentives were offered to participants completing cognitive interview:

- £30 for household
- £30 for non-bill payers
- £40 for non-household

## 1.3 Sample design

Minimum quotas were set on gender, water company and age to ensure cognitive interviews were conducted with a range of different household, non-bill payer and NHH customers from multiple water companies. The three achieved subsamples for the cognitive interviews were as follows:

### Household (HH, n=3)

All HH participants were responsible, either jointly or solely, for paying water bills of the household.

Gender		Social Grade			Age			
Male	Female	AB	C1C2	DE	18-34	35-44	45-64	65+
1	2	0	2	1	0	1	1	1
<b>Water companies</b>								
Participants were customers of Yorkshire Water, Affinity Water and United Utilities								

### Non-bill payer (n=1)

Non-bill payer was not responsible, either jointly or solely, for paying water bills of the household.

Non-bill payer was male, aged 18-34, a student and living with parents/guardians who are responsible for paying water and other household bills.

### Non-household customers (NHH, n=2)

All participants were responsible, either jointly or solely, for paying business' water bills, or otherwise responsible for issues of water supply.

Size			Reliant on water for business purposes	Wales
Micro/small	Medium	Large		
1	1	0	2	0
<b>Water companies</b>				
Participants were customers of Thames Water and Essex & Suffolk Water				

NHH participants represented businesses in the manufacturing and construction industries.

## 2 Findings

### Overall observations

Cognitive testing showed high levels of accessibility and good comprehension; questions and task instructions were clear and well understood, with participants able to respond as intended.

Participants were encouraged to provide feedback at all points of the questionnaire, outside of specific cognitive probes, yet this resulted in very little need for improvement.

Stated preference task instructions were found to be clear and informative, successfully preparing participants for the choices they would be asked to make in both the 'impact of service issues' and 'compensation for service issues' tasks.

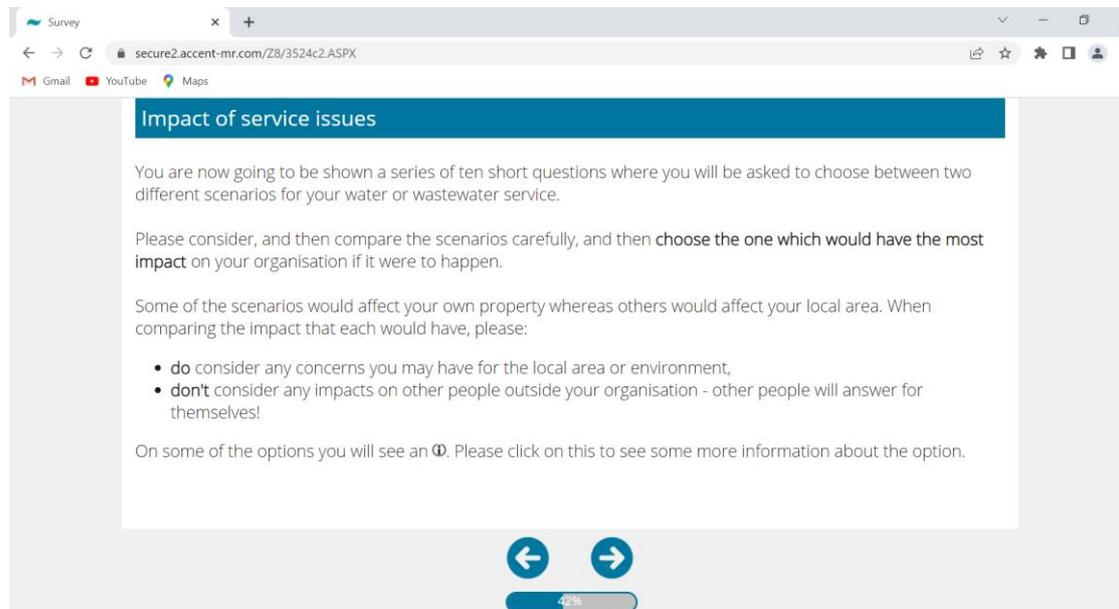
Some minor feedback and suggestions for improvement were captured on the service issues attributes that were presented at both started preference tasks.

This phase of testing focused on the 'compensation for service issues' task. Some participants expressed concerns about the conceivability (or 'believability') of the levels of financial compensation being offered, and this finding was particularly true of NHH participants in the research. In these cases, compensation was presented as a multiple of a business customer's annual water bill, which resulted in sums of up to £500,000 being offered following the experience of a service issue (100 times annual spend).

The testing delivered insights into how the questionnaire might assure future participants that the sums being offered were genuine and accurate.

## 2.1 Impact of service issues stated preference task

### Task instructions



Participants were asked to provide feedback on the task instructions after reading them. We found that participants took the time to read the instructions autonomously without the need to prompt them to revisit them and attend more carefully.

Participants told us that the instructions were clear, comprehensive and adequately outlined what they would be required to do over the upcoming screens. All participants were able to explain to the interviewer, when questioned, what would be required of them in the task, demonstrating good levels of comprehension.

When probed on whether anything was unclear, or could be made easier to understand, some household participants expressed a degree of confusion over the instruction to consider concerns for the local area and environment yet to disregard the impact on others when completing the task. Participants reasoned that other people are inextricable from the local area and environment; that they are 'one and the same'. No such confusion was encountered by NHH participants

*“But people outside your household are in your local area or environment. It’s not that clear that those two are separate issues (...) I think it’s a bit confusing, that bit.” HH 2*

*“That, to me, the two are the same, really. The concern for the local area and environment involves people to me.” HH 3*

We have considered this feedback in light of the need to ensure that the correct components of value are being considered to be consistent with the Total Economic Value basis of Cost-Benefit Analysis. This requires that people take into account any concerns they may have for the service issue in question rather than limiting it to the

direct impacts on their own household, but that they disregard impacts on the welfare of other people. We have also been mindful of the need not to add complexity or ‘wordiness’ to the introduction to the exercise, and of the fact that this introduction was also tested, in exactly the same form, within the previous round of cognitive interviews and found to work successfully overall.

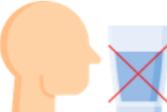
- **Consequently, we recommend only a minor change to the wording here to replace ‘environment’ with ‘natural environment’, to thereby add a small degree of additional clarity that this is not meant to be about other people.**

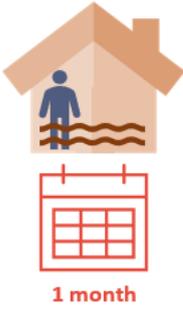
## Feedback on service issue attributes

Having been tested in the earlier phase of cognitive interviews, participants in this phase of testing were not pressed to provide detailed feedback on each of the service attributes presented in this task, other than where there had been significant changes to the presentation between testing phases. Participants were, however, encouraged to offer feedback on those scenarios that were unclear, or stood to be improved.

Not related to a specific service issue scenario, one NHH participant noted that most scenarios presented were domestic in nature, probably affecting household customers but not likely to have a significant impact on business operations. The same participant noted that it was difficult to choose which scenario would have the greater impact on his business where there was no direct threat or consequence (for example in the case of low flows in nearby rivers, or river water elsewhere not being of high quality).

For reasons of brevity, this report includes only those attributes where feedback was captured from participants.

Attribute	Feedback
<p style="text-align: center;"><b>Do not drink notice (48 hours)</b></p> <ul style="list-style-type: none"> <li>▶ Your water company sends you a notice saying not to drink your tap water, or use it for cooking or preparing food, to avoid the risk of becoming ill </li> <li>▶ This is due to traces of a harmful chemical being found in the water supply in your area </li> <li>▶ You can still safely use tap water for washing and cleaning</li> <li>▶ Water would be made available nearby to collect in buckets or bottles and vulnerable people would be delivered water directly.</li> <li>▶ The notice arrives on a Wednesday. After two days the water will be safe to drink again and your water company will notify you.</li> </ul>	<p>One NHH participant noted that there being no potable water available was not acceptable according to health and safety guidelines.</p> <ul style="list-style-type: none"> <li>➤ <b>No action required</b></li> </ul>
	<p>Feedback was specifically sought on this attribute given the change since the last wave of testing.</p>

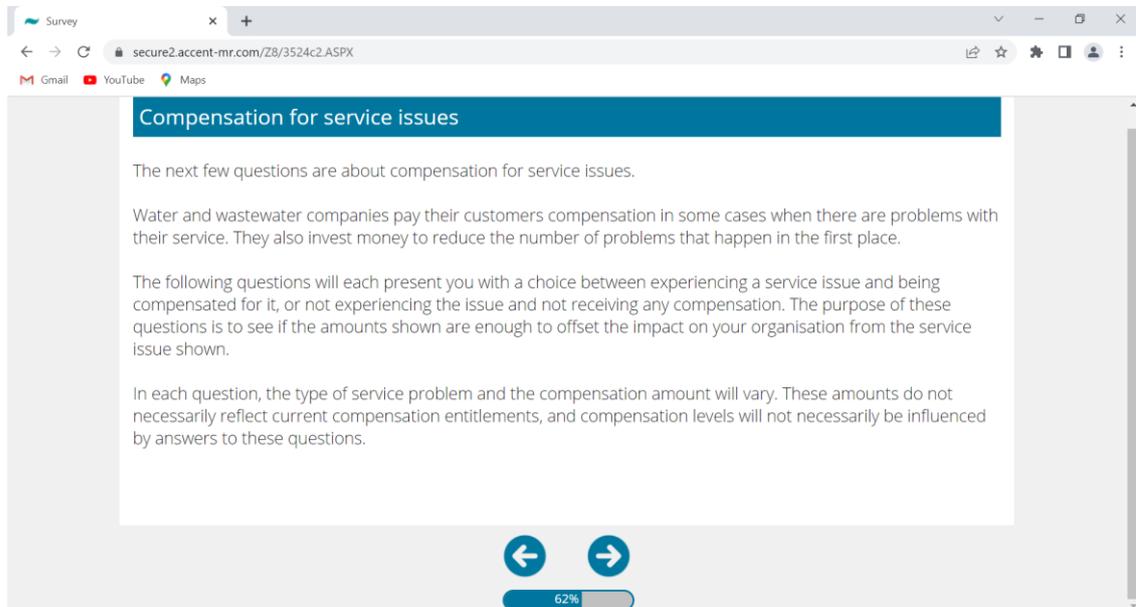
<p><b>Sewer flooding: INSIDE your property (1 month)</b></p> <ul style="list-style-type: none"> <li>▶ Flooding from the sewer gets inside your property, affecting your living areas</li> <li>▶ This results from prolonged heavy rainfall in your local area</li> <li>▶ It gives off a foul smell, and damages floors, walls and furniture.</li> <li>▶ It takes 1 month for your property to get back to normal</li> </ul> 	<p>The severity of the issue was clear. Participants were clear that the issue would be ongoing for one month and were concerned by this.</p> <p>The risk to health and damage to property and belongings was evident.</p> <p><i>“For a whole month? That’s really very bad.”</i> NHH 1</p> <p><i>“That would be horrible to live with. One month is a long time!”</i> HH 1</p> <p><i>“All the sewage would come in – revolting!”</i> HH 3</p> <ul style="list-style-type: none"> <li>➤ <b>No action required – the change from 1 week to 1 month duration has been clearly communicated</b></li> </ul>
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## Post-completion questions

Participants’ answers to these questions, as well as the insights gained from any probing, suggest that the choices presented in the service issues stated preference task are easy to understand, the scenarios described are believable, and that it was easy to choose between the two service issue scenarios. As above, one NHH participant shared the difficulty experienced in decision making when neither service issue had a direct impact on their business.

## 2.2 Compensation for service issues stated preference task

### Task instructions



As with the initial stated preference task, participants were asked to provide feedback on this task rubric. Believing they were now familiar with the format of the tasks, and what was required to complete them, participants tended to read this screen more quickly. That said, on probing both NHH and household customers evidenced good levels of understanding of what they would see on the following screens and what they would be asked to do. Participants understood that they would be faced with the decision of either experiencing a service issue and being compensated for it or not experiencing any issue – things carrying on unaffected – and thus receiving no compensation. Testing captured no requests for clarification nor any suggestions for improving these instructions.

### Feedback on service issue attributes presented during the compensation task

Probes were built into the topic guide to test how well presented the scenarios at this task were. Angles included clarity of the information presented, sufficiency of the information to allow the participant to understand the issue, adequacy of the information to make the choice between experiencing the issue or not, the value of the images, and clarity of the compensation being offered.

Included here are all service issues presented at this compensation task.

Attribute	Feedback
<p data-bbox="284 241 858 324"><b>PLANNED water supply interruption (6 hours)</b></p> <ul data-bbox="292 342 662 660" style="list-style-type: none"> <li>▶ Your water company sends you a notice in the post that in 2 days' time your water supply will stop for 6 hours, affecting all taps, toilets, dishwasher, etc</li> <li>▶ This is due to planned maintenance in your local area</li> <li>▶ As planned, it then stops between 12:00 and 18:00 on a Wednesday afternoon</li> </ul> <p data-bbox="292 678 858 739">Compensation paid*: 5 times the amount of your annual water services bill</p>  	<p data-bbox="898 241 1385 302"><b>Clarity</b> The information presented was clear.</p> <p data-bbox="898 331 1385 477"><b>Sufficiency to understand</b> The information was sufficient to allow participants to understand the scenario.</p> <p data-bbox="898 506 1385 651"><b>Adequacy to make the choice</b> Adequate information presented to enable participants to make the choice.</p> <p data-bbox="898 680 1385 898"><b>Images</b> To one participant, the cross through the tap suggested that one should not turn the tap on (likened to a 'no entry' sign) rather than there being no water.</p> <p data-bbox="898 927 1385 1072"><b>Compensation</b> Non-bill payer noted that there is no legend to explain the meaning of the asterisk.</p> <ul data-bbox="898 1102 1385 1167" style="list-style-type: none"> <li>➤ Consider amending image</li> <li>➤ Add legend to define asterisk</li> </ul>
<p data-bbox="284 1178 858 1261"><b>Sewer flooding: OUTSIDE your property (1 week)</b></p> <ul data-bbox="292 1279 662 1585" style="list-style-type: none"> <li>▶ Flooding from the sewer affects access to your front door / entrance</li> <li>▶ This results from prolonged heavy rainfall in your local area</li> <li>▶ It gives off a foul smell, and could cause damage</li> <li>▶ It takes 1 week for access to your property to get back to normal</li> </ul> <p data-bbox="292 1603 858 1664">Compensation paid*: 100 times the amount of your annual water services bill</p>  	<p data-bbox="898 1178 1385 1440"><b>Clarity</b> Overall, participants saw this attribute as clear. Does this really mean access only to the front door, or access to the property as a whole? What about side and back doors – are they affected?</p> <p data-bbox="898 1469 1385 1648"><b>Sufficiency to understand</b> Notwithstanding the above, information was sufficient to allow participants to understand the scenario.</p> <p data-bbox="898 1677 1385 1823"><b>Adequacy to make the choice</b> Adequate information presented to enable participants to make the choice.</p> <p data-bbox="898 1852 1385 2031"><b>Images</b> Participants suggested the image could be improved by showing sewage under the houses rather than to the side.</p>

	<p><b>Compensation</b></p> <p>Household participant suggested compensation values could be made clearer with the use of commas, e.g. £20,000 rather than £20000.</p> <p>There is no legend to explain the meaning of the asterisk.</p> <ul style="list-style-type: none"> <li>➤ Clarify definition of ‘access’</li> <li>➤ Consider amending image</li> <li>➤ Add commas to sums offered</li> <li>➤ Add legend to define asterisk</li> </ul>
<p style="text-align: center;"><b>Boil water notice (48 hours)</b></p> <ul style="list-style-type: none"> <li>▶ Your water company sends you a notice saying you need to boil tap water before drinking, cooking or preparing food to avoid the risk of becoming ill</li> <li>▶ This is due to traces of e-coli being found in the water supply in your area</li> <li>▶ You can still safely use tap water for washing and cleaning</li> <li>▶ You can still safely use tap water for washing and cleaning. The notice arrives on a Wednesday. After two days the water will be safe to drink again and your water company will notify you</li> </ul> <p style="text-align: center;">Compensation paid*: 10 times the amount of your annual water services bill</p>	<p><b>Clarity</b></p> <p>The content of bullet 3 is repeated in bullet 4. (This was due to a programming error, and was hence not deliberate.)</p> <p><b>Sufficiency to understand</b></p> <p>The situation and required action are sufficiently explained.</p> <p><b>Adequacy to make the choice</b></p> <p>Participants asked how they would receive such a notice.</p> <p><b>Images</b></p> <p>Participants suggested a boiling kettle and a thermometer reading 100c may better communicate the need to ‘boil’.</p> <p><b>Compensation</b></p> <p>There is no legend to explain the meaning of the asterisk.</p> <ul style="list-style-type: none"> <li>➤ Remove repeated information (bullets 3 and 4)</li> <li>➤ Consider amending image</li> <li>➤ Add legend to define asterisk</li> </ul>
<p style="text-align: center;"><b>UNEXPECTED water supply interruption (6 hours)</b></p> <ul style="list-style-type: none"> <li>▶ Your water supply stops working without warning, affecting taps, toilets, dishwasher, etc</li> <li>▶ This is due to a burst pipe in your local area</li> <li>▶ It stops for 6 hours, between 12:00 and 18:00 on a Wednesday afternoon</li> </ul> <p style="text-align: center;">Compensation paid*: 10 times the amount of your annual water services bill</p>	<p><b>Clarity</b></p> <p>The information presented was clear.</p> <p><b>Sufficiency to understand</b></p> <p>The information was sufficient to allow participants to understand the scenario.</p> <p><b>Adequacy to make the choice</b></p> <p>Adequate information presented to enable participants to make the choice.</p>

	<p><b>Images</b> To one participant, the cross through the tap suggested that one should not turn the tap on (likened to a 'no entry' sign) rather than there being no water.</p> <p><b>Compensation</b> The meaning of the asterisk is explained at this attribute.</p> <p>➤ <b>Consider amending image</b></p>
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## Compensation being offered

One of the key objectives of this phase of testing was to test whether participants could find very high levels of compensation for the service issues presented realistic and believable, for the purpose of ensuring that a sufficient proportion of participants would choose to accept the service issue in question and take the compensation offered. This phase of testing aimed to explore how, if at all, the exercise might need to be refined to ensure the believability of the compensation scenario.

We found mixed responses when probing household customers on the believability of the sums being offered, where reactions varied by service issue. NHH participants were more likely to find the compensation being offered to be unbelievable.

It is worth noting that compensation was offered to household (and non-bill paying) customers as a fixed sum whereas NHH customers were offered compensation as a multiple of their annual bill. This required NHH participants to initially calculate the compensation being offered – although this did not present a problem for the two NHH customers interviewed – by multiplying their water spend. With estimated annual bills of £2,500 and £5,000 and compensation levels of up to 100 times annual bills being offered, this resulted in compensation sums of up to £500,000 being offered to NHH participants in relation to the external sewer flooding scenario. In contrast, the maximum level of compensation offered to a household customer in this testing phase was £40,000, which again is roughly around 100 times the average annual household water and wastewater bill.

### Unexpected water supply interruption (6 hours):

*Sums offered ranged between £500 and £2,000 for HH and up to 10 times annual bill for NHH*

Reactions here were mixed, but the general sentiment was that sums offered were very high, but not unbelievable. Participants reasoned that one might expect to receive compensation given the unexpected nature of the supply issue and on the basis that the interruption might go on for more than the stated 6 hours. In this scenario, where up to £2,000 was offered to household customers, none dismissed the offer because they felt they would not be compensated to these levels. A level of trust was placed in water

companies that they would not publish these sums if they were not accurate and genuinely available.

*“£500 is a lot for six hours. It’s no hardship, really.” HH3*

*“Yes, they’re believable. They [water company] must have it [the money to fund compensation payouts].” HH1*

- These findings suggest no substantive issues with the levels used for this service issue.

### **Sewer flooding outside your property (1 week):**

*Sums offered ranged between £10,000 and £40,000 for HH and up to 100 times annual bill for NHH*

The sums being offered here were not regarded as believable in general. Multiple participants believed that this issue may affect several residents and started to multiply the compensation by a theoretical number of households that would need to be paid. The resulting costs to water companies led these participants to conclude that the compensation being offered here was not believable. One customer also noted that they had experienced similar issues previously yet been offered no compensation at that time.

*“How many properties will they have to pay out on though?” HH 1*

*“I can’t see them paying you £10,000 for that! I could go on a cruise with that!” HH 3*

*“I can retire on option A!” NHH 1*

Some reasoned that the level of damage that might result may warrant generous amounts of compensation, suggesting a link between the perceived severity of the service issue and the amount of money offered.

- These findings indicate that the amount of money that needs to be shown to encourage people to choose this option could be too high to be believable. They also suggest that further text is needed to clarify that the amounts being shown differ from those currently offered by water companies.

### **Planned water supply interruption (6 hours):**

*Sums offered ranged between £250 and £1,000 for HH and up to 5 times annual bill for NHH*

Both households and NHH participants considered the sums on offer to be too generous. One household respondent remarked that they had experienced similar issues previously and had never been compensated. However, household customers accepted the offers as accurate and genuine.

*“I’ve had loads of planned interruptions and never been compensated.” HH 2*

For NHH customers, the sums being offered were considered high compared to the likely turnover or profit in the same 6-hour period.

*“That’s £12,000! Our water bill is £2,500 a year. Five times that is over £12,000. We don’t make £12,000 in six hours; I wish we did!”*

NHH 1

- Although seen as very high, there were no indications that the choices were answered incorrectly as a result of the amounts being considered incredible. This supports the use of this service issue and the amounts shown.

### **Boil water notice (48 hours):**

*Sums offered ranged between £500 and £1,000 for HH and up to 10 times annual bill for NHH*

For household customers the sums between £500 and £1000 here were regarded as believable – more so than for any other scenario. In this case, the reasoning was that there is a risk to health that is being compensated for. Whilst one participant commented that the compensation was not commensurate with the inconvenience, they did comment that levels of compensation were more plausible in this scenario than in others.

*“Yes, it’s more believable [the level of compensation] here because of the potential danger and risk to people’s health”* HH2

Compensation for NHH customers, however, was seen as less realistic, with one being convinced that the amounts being presented were a mistake in questionnaire programming whilst the other said they ‘could not see water companies offering these amounts’.

*“But it’s only the people in the office, who tend to boil it [water] for a cup of tea or coffee anyway. So it’s only going to be the people who drink tap water and saying to them, ‘there’s loads of water bottles there in the corner, use that for two days’, put a few signs around saying don’t drink the water! It’s not a handicap or inconvenience for £50,000.”* NHH 2

- For this attribute, the amounts shown could potentially be too high for non-households, but for households they may be about right. Quantitative testing would be needed to ensure the right levels are shown if this service issue is to be used as one of the pivot attributes for the main survey.

## Assuring participants on the sums being offered

We asked participants how they might be assured that the sums being offered in compensation were accurate and genuine. The following suggestions were made:

- Advise that these are the levels of compensation dictated by, or agreed with, Ofwat

- Provide contact details for Ofwat to allow participants in the research to verify that the levels of compensation are accurate and genuine
- Link participants to an ‘official document’ that outlines their legal right to compensation and the amounts available
- Explain how the compensation had been calculated and why it is ‘so generous’.
- **Given that the levels on offer are to be experimentally designed rather than based on real-world compensation amounts, the first three of these suggestions are infeasible. Instead, we interpret these findings as indicating a need to explain to participants why they are being offered amounts that are higher than they may have expected, and we recommend a change to the introduction of the exercise accordingly.**

## Use of the term ‘compensation’

Early feedback from a NHH participant suggested that the sums being offered did not match his definition of ‘compensation’ but instead constituted ‘incentives’. The levels of compensation offered as multiples of annual bills were considered too generous to make good the inconvenience that might be experienced because of a service issue.

Following this feedback, a probe was added to the topic guide to test the appropriateness of the word ‘compensation’, and the suitability of an alternative term ‘one-off payment’.

Most participants from this point onwards agreed that ‘compensation’ had been used appropriately within this stated preference task and that its use met with their definition. Participants consistently defined compensation as a ‘sum of money (or indeed a service) offered in recognition of inconvenience caused or loss suffered’.

However, these findings reinforced our view that the term ‘compensation’ was causing a link in participants’ minds between the severity of the issue and the amount of money being offered

In testing of the term ‘one off payment’ participants tended to believe that compensation was the more appropriate description, given the circumstances under which it was being offered. Participants offered alternative descriptions including ‘inconvenience payment’ and ‘remuneration’ but none suggested that the description of the sum on offer would impact their decision making in the task.

*“Potato, potato.” NHH 2*

*“No, it’s all the same thing. The wording would have very little impact [on my decision].” HH 1*

- **Based on these findings, we conclude that ‘one-off payment’ would work equally as well as ‘compensation’ from a cognitive perspective, whilst (partially) mitigating against the risk of participants associating the amount shown with the severity or inconvenience of the service issue itself. Consequently, we recommend revising the questionnaire accordingly to reflect this finding.**

## Mode of payment

Participants in this phase of testing expressed a preference for a direct bank credit/BACS payment over receipt of a cheque but would accept a cheque if necessary. Objections included the need for them to personally take action to deposit the cheque and the time needed for the funds to become available to them.

When asked whether they would be willing to accept a credit to their water bill of the sum offered in compensation, acceptability was driven by the value of the payment being made available. For both NHH (whose compensation sums were invariably significant) and household customers who stood to be paid large sums, there was reluctance to receive a bill credit, with many noting that they would never 'spend' such a credit in their lifetime. Some would have accepted this if a cash refund was not an option, whilst others would have opted not to experience the service issue at all if this was the only means of compensation available.

*“Who needs a £500,000 credit on their water bill?” NHH 2*

*“A credit of £40,000? I could be dead by then!” HH 1*

- **Based on these findings, we recommend changing the mode of payment to be either a bank credit, for those who have a direct debit setup, or a cheque otherwise, and not a credit to the water bill.**

# Appendix A

Topic Guide (Phase 2, Household)



Participant Name	
Date / time	
Telephone Number	
URN	

## Introduction

5 mins (5)

Good morning/afternoon/evening. My name is ... and I work for an independent market research company called Accent. We are conducting research for Ofwat, the water industry regulator, and Consumer Council for Water, the consumer organisation which represents the interests of water and sewerage customers in England and Wales.

The research is about views on water and sewerage services, and changes to water bills for the five years from 2025. Specifically, we want to get your feedback on a questionnaire that we plan to use to ask a large number of people to share their views on water and sewerage. Your feedback while completing the questionnaire, along with feedback from others, will allow us to understand how well the questionnaire works and how it might be improved. **[Spontaneous interviews – ALL W2]** With this in mind, I will be asking you to share your thoughts on the questionnaire as you work through it.

The research is being conducted in accordance with the Code of Conduct of the Market Research Society (MRS) and also with the Data Protection Act. This means that everything you say is confidential and will not be attributed to you personally unless you give your permission for us to pass your comments on in named format.

I would like to record our discussion. This is standard market research procedure and is to ensure accuracy – so I do not have to try to remember what you have said – and for analysis purposes only. The recordings will not be passed to any third party not associated with the research project, and in reporting the findings from this research everything that you say will be confidential and will be reported in anonymised form only. Are you happy for me to record the session?

Our discussion will last around **30** minutes.

I'd like to stress that we are interested in your views. There are no right or wrong answers today; and this is not a test of your ability to complete the questionnaire. Instead, it is a test of how well the questionnaire has been designed to make it easy to complete. I haven't been involved in the design and development of the questionnaire, which means you can be open and honest when sharing your views on completing it.

In a moment, I will hand over control of my screen to you so you can complete the survey.

As you are answering questions and deciding between different options, I want to understand how you are making those choices. Please talk me through as you are making your choices and I might prompt you with some additional questions as you work your way through the questionnaire. Also, if you come across anything which you don't understand or need further clarification on, please ask me as we go along.

## Interviewer instructions

NA (5)

- **Share window with Accis questionnaire and allow participant to control your screen to complete questionnaire.**
- **Remind participants to talk aloud as they deliberate over any options. Stop and probe at the questions below (unless ‘think aloud’ commentary provides adequate insight).**
- Make a note of:
  - Any significant pauses or delays in responding
  - Participants re-reading questions/text or changing their response
  - Mentions of any question or section of text being confusing/complicated/unclear/long, or missing important information
  - Response options that they struggle to choose between
  - Questions they ask about elements of the survey (try not to answer these unless they mean the participant is unable to progress).

## Impact of service issues SP task

10 mins (15)

- **Impact of service issues SP preamble [stop and probe before participant starts SP task]**
  - Were these instructions clear?
  - Was it clear what you would have to do?
  - If not:
    - What, if anything, would make this introduction easier to understand?
- Q17-24c
  - As you work through this set of questions, please let me know if there is anything that is unclear or difficult to understand. If you have suggestions on how we might make things easier, please let me know **[interviewer to record on separate attributes document]**

**[INTERVIEWER INSTRUCTION: Probe and capture feedback on attribute “SEWER FLOODING INSIDE PROPERTY (1 month)” – TILE 10] [interviewer to record on separate attributes document]**

- **Q25 [Note the participant’s response to each element of this question and probe on reasons for these responses – especially where the response is not ‘strongly disagree’ or ‘disagree’]**
  - *For I was able to understand the choices:* What would have helped?
  - *For I found the options believable:* What was not believable? What would have made the option(s) more believable?
  - *For My choices were based on how much impact I thought each option would have on my household:* What did you base your choices on if not the impact on your household?
  - *For I found it easy to choose between the options:* Why is this, and what would have made it easier to choose?

- Compensation for service issues SP preamble [**Stop and probe before participant starts SP task**]
  - Were these instructions clear?
  - Was it clear what you would have to do?
  - If not:
    - What, if anything, would make this introduction easier to understand?
  
- For **Sewer Flooding OUTSIDE your property (1 week)**:
  - How clear or unclear is the explanation of this service issue?
  - What would make it clearer or easier to understand?
  - What do you think we mean by access to your front door/entrance/property?
  - Do the images here aid understanding?
  - Does this tile give enough information to allow you to decide on which option you prefer?
  - Were the levels of compensation clear?
  - Were the levels of compensation offered **believable**?
  
  - **If believed to be unrealistic:**
    - Did you dismiss the compensation offer because you didn't believe you would really be compensated?
    - If I could assure you that this amount was available, would you have chosen to experience the service issue instead?
    - How, in the questionnaire, could we best assure you that these levels of compensation were accurate and genuine?
  - [**If participant opted for no service issue after being presented with 2 levels of compensation**] What amount of compensation would have made you choose differently? Why?
  
- For **UNEXPECTED water supply interruption (6 hours)**:
  - How clear or unclear is the explanation of this service issue?
  - What would make it clearer or easier to understand?
  - Are you satisfied with the explanation of why this unexpected service issue has happened?
  - Do the images here aid understanding?
  - Does this tile give enough information to allow you to decide on which option you prefer?
  - Were the levels of compensation clear?
  - Were the levels of compensation offered **believable**?

▪ **If believed to be unrealistic:**

- Did you dismiss the compensation offer because you didn't believe you would really be compensated?
- If I could assure you that this amount was available, would you have chosen to experience the service issue instead?
- How, in the questionnaire, could we best assure you that these levels of compensation were accurate and genuine?

- **[If participant opted for no service issue after being presented with 2 levels of compensation]** What amount of compensation would have made you choose differently? Why?

■ For **PLANNED water supply interruption (6 hours):**

- How clear or unclear is the explanation of this service issue?
- What would make it clearer or easier to understand?
- Are you satisfied with the explanation 'planned maintenance in your area'?
- Do the images here aid understanding?
- Does this tile give enough information to allow you to decide on which option you prefer?
- Were the levels of compensation clear?
- Were the levels of compensation offered **believable**?

▪ **If believed to be unrealistic:**

- Did you dismiss the compensation offer because you didn't believe you would really be compensated?
- If I could assure you that this amount was available, would you have chosen to experience the service issue instead?
- How, in the questionnaire, could we best assure you that these levels of compensation were accurate and genuine?

- **[If participant opted for no service issue after being presented with 2 levels of compensation]** What amount of compensation would have made you choose differently? Why?

■ For **Boil water notice (48 hours):**

- How clear or unclear is the explanation of this service issue?
- What would make it clearer or easier to understand?
- Is it clear **why** this notice has been given?
- Is it clear **what** you will have to do for this period?
- Do the images here aid understanding?
- Does this tile give enough information to allow you to decide on which option you prefer?
- Were the levels of compensation clear?
- Were the levels of compensation offered **believable**?

- **If believed to be unrealistic:**
  - Did you dismiss the compensation offer because you didn't believe you would really be compensated?
  - If I could assure you that this amount was available, would you have chosen to experience the service issue instead?
  - How, in the questionnaire, could we best assure you that these levels of compensation were accurate and genuine?
- **[If participant opted for no service issue after being presented with 2 levels of compensation]** What amount of compensation would have made you choose differently? Why?

**[After completing Q30-31H]**

- Are you familiar with the word 'compensation'?
- What does it mean to you? Define it in your own words.
- Do the sums of money we have presented here meet your definition of compensation or not? Why?
  - If not, what term might better describe the sums being offered?
- How would you feel if we'd used the term 'one off payment' here instead of compensation?
- Would using a different term have changed your decision making?
- **[Do not ask of future/non-bill payers, as they would be issued a cheque: skip]** Compensation is being offered in the form of a credit to your bank account or by sending a cheque.
  - How do you feel about these options? Is one preferable to the other for you and your business? Why?
  - How would you feel if compensation was offered by means of a credit to your water bill? Would this have impacted the choices you made?
- Compensation is being offered as an automatic payment within 7 days of the service issue.
  - Did you have any reason to doubt this? Were you sceptical at all that this compensation would be awarded as promised?
    - Did this influence your decision making/choice?
- Q32 **[Note the participant's response to each element of this question and probe on reasons for these responses – especially where the response is not 'strongly agree' or 'agree']**
  - For *I was able to understand the choices*: What would have helped? **[if not already covered above]**
  - For *I found the options believable*: What was not believable? What would have made the option(s) more believable? **[if not already covered above]**
  - For *My choices were based on how much impact I thought each option would have on my household and whether the amount of money shown was enough to compensate for this*: why do you say this? **[if not already covered above]**

- For *I found it easy to choose between the options*: why is this and what would have made it easier to choose? **[if not already covered above]**

## Wrap and close

0 min (30)

Record BACS details for incentive payment, if not already captured by Riteangle, and add to profile sheet.

Thank and close.